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# ANNUAL REPORT

## FIRST NATIONAL STORES

FOR THE YEAR ENDING MARCH 26, 1960





# FIRST NATIONAL STORES INC.

## OFFICERS

ADRIAN O'KEEFFE, *President*

REUBEN KAPLAN, *Treasurer*

BYRON M. FLEMMING, *Vice-President*

JOHN L. MACNEIL, *Vice-President*

EDMUND J. MURPHY, *Vice-President*

WILLIAM A. RYAN, *Secretary and Clerk*

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BYRON M. FLEMMING

REUBEN KAPLAN

JOHN L. MACNEIL

EDMUND J. MURPHY

JAMES J. O'HARE

ADRIAN O'KEEFFE

BERNARD M. O'KEEFFE

STEWART C. WOODWORTH

## EXECUTIVE COMMITTEE

JOHN L. MACNEIL

EDMUND J. MURPHY

ADRIAN O'KEEFFE

First National recently opened this handsome new supermarket in East Hartford, Connecticut, an important divisional headquarters for the company. First National has provided its friends and neighbors with the last word in modern shopping requirements — inviting, complete and convenient.





**TO THE STOCKHOLDERS OF FIRST NATIONAL STORES INC.:**

Somerville, Massachusetts, June 6, 1960

Sales for the fiscal year were \$525,350,950 as compared with \$531,521,108 for the preceding year, a decline of 1.1%.

Earnings were \$8,222,725, equivalent to \$5.02 a share while earnings for the prior year amounted to \$8,649,288 or \$5.28 a share.

Dividends paid during the year totaled \$2.50 and consisted of four quarterly payments of 50¢ a share with a year-end special dividend of 50¢. This was the same amount that was paid in the preceding year.

The following is a brief summary of our operations:

	For The Fiscal Year Ending	
	March 26, 1960	March 28, 1959
Retail store sales . . . . .	\$525,350,950	\$531,521,108
Net earnings after taxes . . . . .	\$ 8,222,725	\$ 8,649,288
Per share of common stock . . . . .	\$ 5.02	\$ 5.28
Net working capital (current assets less current liabilities)	\$ 20,511,003	\$ 18,407,210
Fixed or property assets (less depreciation) . . . . .	57,171,682	55,410,552
Stockholders' equity (net worth) . . . . .	81,276,726	77,146,846

On the center pages of this report are charts showing the results of our operations for the past thirty-four years. The chart on earnings per share gives effect, for all years, to the 2 for 1 stock split in 1951.

This impressive, ultra modern supermarket . . . is the newest of First National's group of stores serving the busy industrial city of Lowell, Massachusetts. Its location in the southwestern section of the community, close to the Chelmsford line, with new home building in progress, makes it accessible from both an established area and the new home building area which is rapidly developing.





Once again the Company ended its fiscal year in excellent financial condition with no loans outstanding. Net expenditures for capital assets during the year amounted to \$11,238,956. Working capital was \$20,511,003 as compared with \$18,407,210 in the prior year. Stockholders' equity rose to \$81,276,726, an increase of \$4,129,880 over the preceding year.

In the course of the year the Company opened twenty-two new supermarkets and remodeled or enlarged sixteen. Thirty-three stores were closed, including fifteen outdated supermarkets. The total number of stores at the close of the year was five hundred and thirty-four. Of these three hundred and fifty-three were supermarkets and they produced almost 93% of our sales, an average sales volume per supermarket of \$1,397,116, in fiscal 1960. Sixty of the Company's supermarkets are located in shopping centers of all sizes and we are actively seeking additional stores in shopping centers as well as in individual locations.

Due to causes beyond our control, the number of new stores opened during the year was less than we had planned. Financing and other difficulties of developers with whom we had commitments for tenancies delayed or eliminated some real estate construction. Store locations which we financed ourselves were generally on schedule, but at the end of the fiscal year the Company was not yet doing business at several sites where we had expected to be in operation.

Food prices again declined during the fiscal year, averaging, according to the Massachusetts Retail Price Index, about one and one-half per cent below those of the preceding year. Forecasts are that food prices will remain relatively stable during the current fiscal year.

The remodeling of the building in Somerville, Massachusetts, acquired from the Ford Motor Company was completed during the year and this plant now serves as the grocery distribution center for the Somerville Division. A considerable increase in efficiency in this distribution operation has been effected since its relocation. Further benefits from this move are expected in the current year through the transfer of the Somerville produce distribution operation to space formerly used for grocery warehousing. The building which has been used for produce distribution will be sold. It is expected that one additional distribution center will be required in the near future to serve existing stores and others to be developed in the western part of the Company's operating territory.

The Company's training and management development program has been carried on with emphasis and vigor. Training at all levels is a continuous process, with both old and new employees receiving the benefit of specialized instruction. Five of our employees in the past year were enrolled in food distribution courses at the college level, three at Michigan State University and two at Cornell University. The Company regards its training and management development program in all its manifold aspects as a sound investment for the future.

In our store development program it is expected that a greater number of stores will be opened during the current fiscal year. The Company has scheduled for opening 27 supermarkets and several others will be remodeled or enlarged.

The necessity of offsetting higher operating expenses in almost every area of our business requires sound planning and top performance throughout the Company. We are confident of the ability of our excellent organization to accomplish this objective and to further the growth of our Company.

**ADRIAN O'KEEFFE,**  
*President*

## **ANNUAL MEETING — PROXIES**

A notice of the annual meeting of stockholders, proxy statement and proxy accompany this report. Stockholders **ARE REQUESTED TO SIGN THE MANAGEMENT'S AUTHORIZED PROXY AND MAIL PROMPTLY IN THE ENVELOPE PROVIDED.** Your immediate attention to this important matter will be greatly appreciated and will save your Company considerable time and expense.

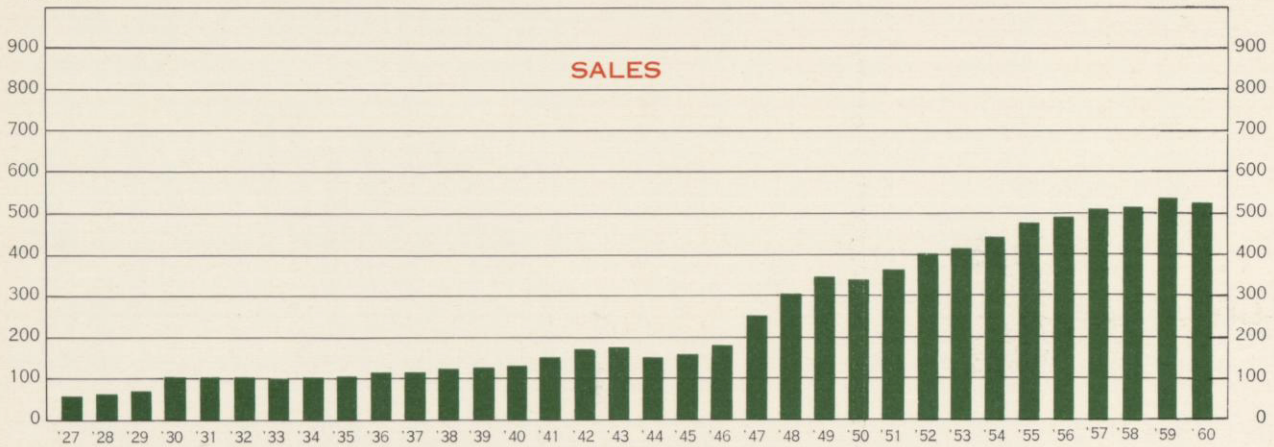
Beautiful Keene, New Hampshire is a thriving gateway community to both the White Mountains and the Green Mountains — a pleasant city of attractive homes and small industry. First National's striking new supermarket has brought the finest modern food shopping to the region.





MILLIONS OF DOLLARS

MILLIONS OF DOLLARS



*Retail Stores Sales — Fiscal Years*

1927	\$59,038,304	1932	\$107,634,383	1937	\$120,682,961	1943	\$187,839,592	1949	\$354,444,614	1955	\$470,628,572
1928	64,445,962	1933	100,892,947	1938	124,294,617	1944	164,924,978	1950	344,171,022	1956	491,667,908
1929	75,884,639	1934	105,812,781	1939	124,222,955	1945	170,236,678	1951	371,853,140	1957	507,361,437
1930	107,635,216	1935	111,323,463	1940	131,041,157	1946	182,131,241	1952	406,773,153	1958	521,494,993
1931	108,196,686	1936	119,575,417	1941	142,680,921	1947	256,506,910	1953	424,521,672	1959	531,521,108
				1942	174,378,932	1948	315,915,554	1954	442,180,165	1960	525,350,950

STORES

STORES



*Stores — Fiscal Years*

1927	1681	1932	2546	1937	2473	1943	1585	1949	1083	1955	702
1928	1717	1933	2705	1938	2350	1944	1463	1950	1033	1956	661
1929	2002	1934	2653	1939	2244	1945	1340	1951	979	1957	607
1930	2549	1935	2623	1940	2137	1946	1236	1952	922	1958	575
1931	2548	1936	2556	1941	1923	1947	1201	1953	847	1959	543
				1942	1748	1948	1150	1954	761	1960	534

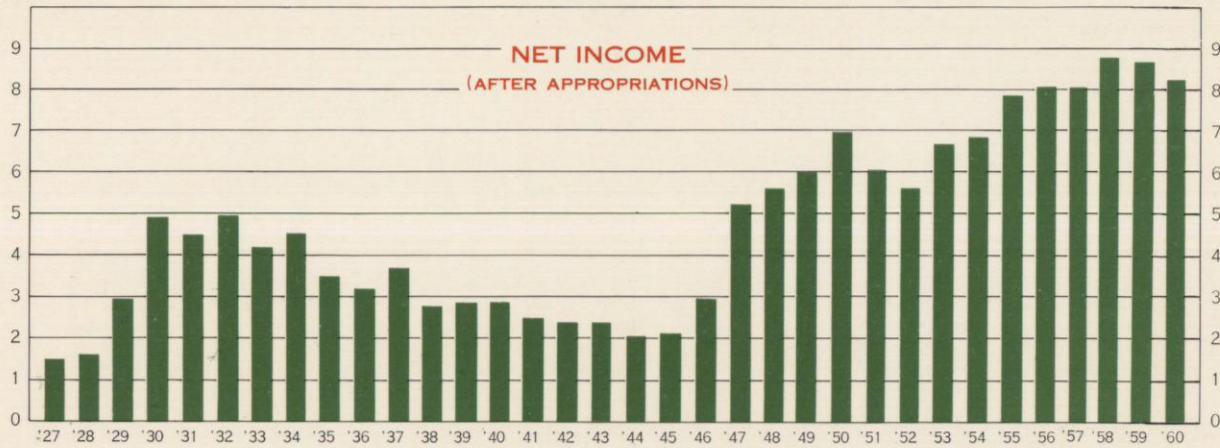
At Bristol, Rhode Island, where First National has been represented for many years, this new and excitingly modern supermarket is located in a rapidly developing area, and has excellent parking facilities.





MILLIONS OF DOLLARS

MILLIONS OF DOLLARS



*Net Income — Fiscal Years*

1927	\$1,492,193	1932	\$4,825,611	1937	\$3,647,001	1943	\$2,465,079	1949	\$5,905,880	1955	\$7,968,619
1928	1,593,358	1933	4,220,099	1938	2,705,191	1944	2,235,104	1950	6,997,980	1956	8,071,326
1929	2,904,884	1934	4,394,830	1939	2,774,366	1945	2,294,604	1951	6,134,530	1957	8,039,041
1930	4,773,446	1935	3,433,504	1940	2,739,074	1946	2,885,555	1952	5,571,415	1958	8,799,277
1931	4,479,108	1936	3,163,329	1941	2,508,719	1947	5,357,235	1953	6,742,051	1959	8,649,288
				1942	2,380,294	1948	5,629,705	1954	6,830,629	1960	8,222,725

DOLLARS

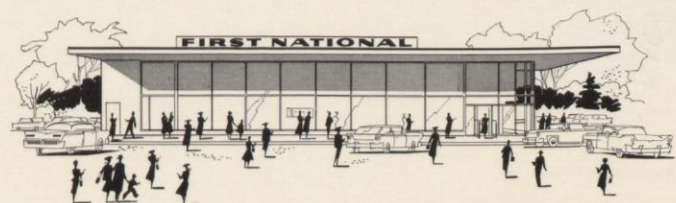
DOLLARS



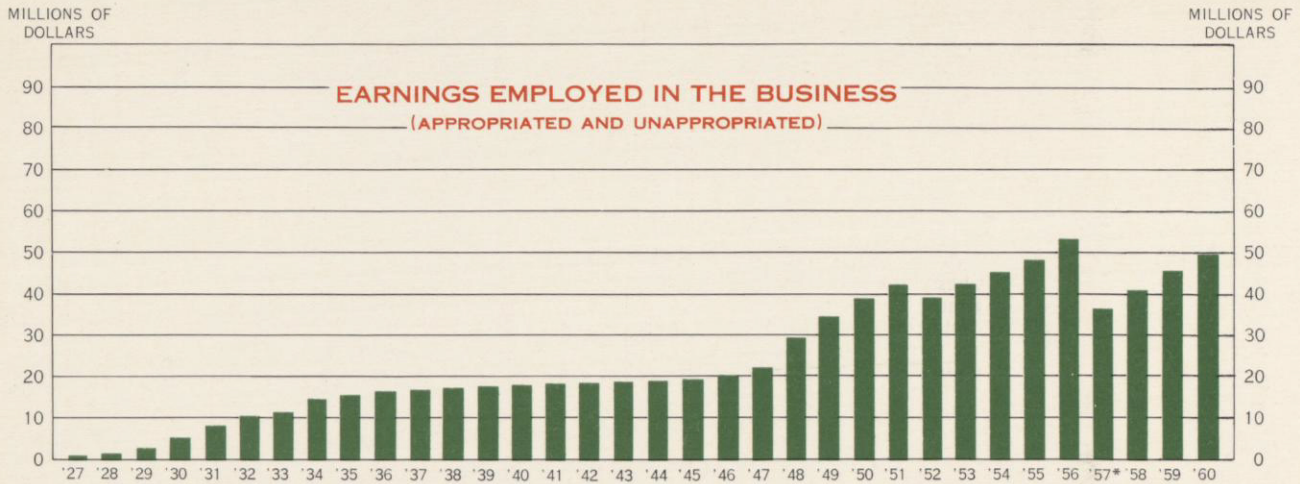
*Per Share Common — Fiscal Years*

1927	\$0.96	1932	\$2.76	1937	\$2.12	1943	\$1.51	1949	\$3.61	1955	\$4.86
1928	1.04	1933	2.39	1938	1.57	1944	1.36	1950	4.27	1956	4.93
1929	2.04	1934	2.48	1939	1.69	1945	1.40	1951	3.74	1957	4.91
1930	2.69	1935	1.95	1940	1.67	1946	1.76	1952	3.40	1958	5.37
1931	2.52	1936	1.82	1941	1.53	1947	3.27	1953	4.11	1959	5.28
				1942	1.45	1948	3.43	1954	4.17	1960	5.02

Vernon Hills Shopping Center in Eastchester, New York, comprises a distinguished group of metropolitan stores. Here this fine new First National supermarket has such famous neighbors as Lord & Taylor, De Pinna, Jensen, Schwartz, etc., serving an important segment of fashionable Westchester County.



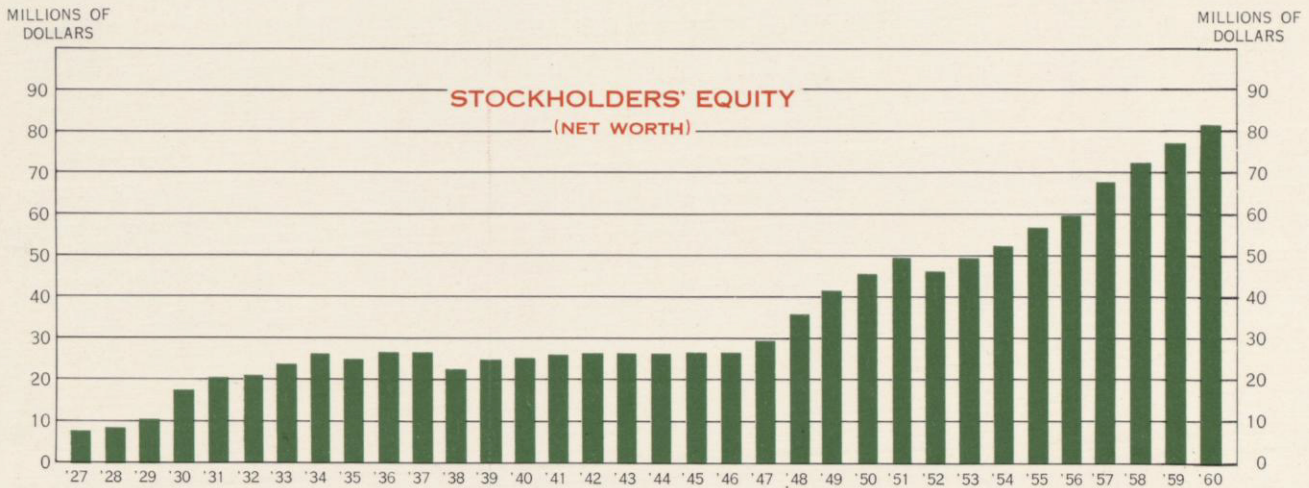




*Earnings Employed in the Business — Fiscal Years*

1927	\$1,996,375	1932	\$10,816,321	1937	\$16,670,118	1943	\$19,308,135	1949	\$34,350,171	1955	\$48,993,652
1928	2,238,303	1933	12,666,672	1938	16,688,036	1944	19,496,819	1950	38,483,159	1956	53,135,847
1929	3,987,782	1934	14,213,494	1939	17,423,131	1945	19,745,003	1951	41,752,697	1957	36,463,268*
1930	6,369,726	1935	15,121,448	1940	18,112,565	1946	20,334,138	1952	39,604,479	1958	41,169,700
1931	8,371,910	1936	16,062,827	1941	18,572,964	1947	23,235,669	1953	41,807,095	1959	45,726,143
				1942	18,889,476	1948	29,189,624	1954	44,954,164	1960	49,856,023

\*Transferred \$25,000,000 to Common Stock Account.



*Stockholders' Equity — Fiscal Years*

1927	\$8,723,782	1932	\$22,793,743	1937	\$26,369,140	1943	\$26,044,414	1949	\$41,086,450	1955	\$55,729,931
1928	8,965,710	1933	24,644,049	1938	23,746,089	1944	26,233,098	1950	45,219,438	1956	59,872,126
1929	11,724,410	1934	26,190,916	1939	24,216,168	1945	26,481,282	1951	48,488,976	1957	67,883,971
1930	18,347,148	1935	24,820,470	1940	24,874,883	1946	27,070,417	1952	46,340,758	1958	72,590,403
1931	20,349,333	1936	25,761,849	1941	25,293,286	1947	29,971,948	1953	48,543,374	1959	77,146,846
				1942	25,625,755	1948	35,925,903	1954	51,690,443	1960	81,276,726

This is the popular new First National supermarket in Athol, a busy tool manufacturing community in Central Massachusetts. It supplants an outgrown predecessor and, with the latest and most attractive facilities, better serves the food shoppers of the extensive Athol-Orange section.





# FIRST NATIONAL STORES INC.

# BALANCE SHEET

## ASSETS

	MARCH 26 1960	MARCH 28 1959
<b>CURRENT ASSETS:</b>		
Cash . . . . .	\$ 14,027,945	\$ 11,066,572
Accounts receivable . . . . .	1,559,559	1,486,780
Inventories, on last-in, first-out cost basis, which is below market . . . . .	29,149,794	31,111,695
Total current assets . . . . .	\$ 44,737,298	\$ 43,665,047
 <b>FIXED ASSETS, at cost (excluding full-depreciated assets):</b>		
Land . . . . .	\$ 8,180,891	\$ 7,249,107
Buildings owned . . . . .	36,609,485	33,024,961
Store fixtures, leased property improvements, machinery and equipment . . . . .	57,040,436	55,750,275
Automotive equipment . . . . .	3,501,411	3,321,217
	\$105,332,223	\$ 99,345,560
<i>Less</i> — Depreciation . . . . .	48,160,541	43,935,008
	\$ 57,171,682	\$ 55,410,552
 <b>OTHER ASSETS AND DEFERRED CHARGES:</b>		
Investment in and advances to wholly-owned subsidiary companies — at cost (represented by underlying net assets of \$1,451,663 in 1960, \$903,340 in 1959) . . . . .	\$ 655,828	\$ 83,500
Prepaid insurance and other deferred expenses . . . . .	2,714,456	2,964,172
Miscellaneous . . . . .	223,757	281,412
	\$ 3,594,041	\$ 3,329,084
	\$105,503,021	\$102,404,683

Braintree, Massachusetts, is a bustling South Shore community which is steadily becoming more important as a shopping area. Within the year First National has replaced a smaller store in Braintree with this splendid, up-to-the-minute and readily accessible supermarket.





**FIRST NATIONAL STORES INC.**

**BALANCE SHEET**

**LIABILITIES**

	MARCH 26 1960	MARCH 28 1959
<b>CURRENT LIABILITIES:</b>		
Accounts payable . . . . .	\$ 12,742,850	\$ 13,214,267
Owing to subsidiary companies . . . . .	134,402	101,558
Accrued local and state taxes and other expenses . . . . .	6,715,198	6,196,870
Federal income taxes . . . . .	4,633,845	5,745,142
Total current liabilities . . . . .	\$ 24,226,295	\$ 25,257,837

**STOCKHOLDERS' EQUITY:**

Common stock:		
Authorized — 2,000,000 shares without par value		
Issued — 1,655,268 shares . . . . .	\$ 31,977,422	\$ 31,977,422
Earnings employed in the business, other than amounts transferred to common stock account . . . . .	49,856,023	45,726,143
	\$ 81,833,445	\$ 77,703,565
Less — Common stock held in treasury — 18,114 shares, at cost . . . . .	556,719	556,719
Total stockholders' equity . . . . .	\$ 81,276,726	\$ 77,146,846
	\$105,503,021	\$102,404,683

**ACCOUNTANTS' OPINION**

TO THE BOARD OF DIRECTORS AND STOCKHOLDERS OF FIRST NATIONAL STORES INC.

In our opinion, the accompanying balance sheet and statements of earnings and earnings employed in the business present fairly the financial position of First National Stores Inc. at March 26, 1960 and the results of its operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year. Our examination of these statements was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

PRICE WATERHOUSE & CO.

Boston, Massachusetts  
May 17, 1960

First National has brought the most modern of food shopping facilities to Bath, Maine, and the surrounding countryside in this beautiful, streamlined supermarket. Bath, with its famous shipyards, is a center of activity in this lovely coastal area.





# FIRST NATIONAL STORES INC.

## STATEMENT OF EARNINGS

	YEAR ENDED	
	MARCH 26, 1960	MARCH 28, 1959
<b>Income:</b>		
Retail store sales . . . . .	\$525,350,950	\$531,521,108
Dividends received from wholly-owned subsidiary companies (net earnings for the year — \$103,995 in 1960, \$134,604 in 1959) . . . . .	128,000	210,000
Other income . . . . .	43,458	8,574
	<u>\$525,522,408</u>	<u>\$531,739,682</u>
<b>Costs and expenses:</b>		
Cost of sales, expenses, etc., exclusive of depreciation . . . . .	\$499,073,164	\$505,009,517
Provision for depreciation of fixed assets (Note 1) . . . . .	9,410,714	8,911,534
Interest expense . . . . .	298,693	287,262
Net loss (gain) on disposal of fixed assets . . . . .	67,112	(107,919)
Provision for federal income taxes . . . . .	8,450,000	8,990,000
	<u>\$517,299,683</u>	<u>\$523,090,394</u>
Net earnings . . . . .	<u>\$ 8,222,725</u>	<u>\$ 8,649,288</u>

## STATEMENT OF EARNINGS EMPLOYED IN THE BUSINESS

YEAR ENDED MARCH 26, 1960	
Balance, March 28, 1959 . . . . .	\$ 45,726,143
Net earnings . . . . .	8,222,725
	<u>\$ 53,948,868</u>
Cash dividends paid — \$2.50 per share . . . . .	4,092,845
Balance, March 26, 1960 . . . . .	<u>\$ 49,856,023</u>

## NOTES TO FINANCIAL STATEMENTS

NOTE 1: In addition to depreciation provided on the straight-line method for depreciable fixed assets acquired prior to March 28, 1954 and on the sum of the years-digits method for assets acquired thereafter, as permitted and used for federal income tax purposes, the company has continued to provide and charge earnings with additional accelerated depreciation on store buildings, computed on a basis which is related to estimated fair rental values. Such additional accelerated depreciation amounted to \$548,792 in 1960 and \$623,577 in 1959 and is not currently deductible for federal income tax purposes.

NOTE 2: At March 26, 1960 the company was obligated under 218 store leases expiring more than three years after that date. The aggregate of the minimum annual rentals under these leases was approximately \$4,205,000 as of that date. The aggregate amount of store rentals charged to earnings for the 1960 fiscal year was approximately \$4,990,000.

A shopper's delight is First National's new and brilliantly modern supermarket in suburban Greenwich, Connecticut. Situated in the smart Putnam Plaza shopping area, it provides a discriminating clientele with the quick, easy, and pleasant food shopping.





GEOGRAPHICAL DISTRIBUTION  
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**534 FIRST NATIONAL STORES**



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